

Message Text

LIMITED OFFICIAL USE

PAGE 01 MTN GE 03646 01 OF 03 190848Z

12

ACTION EB-07

INFO OCT-01 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

FRB-03 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00

USIA-06 PRS-01 SP-02 OMB-01 AF-06 ARA-06 EA-06 EUR-12

NEA-10 OIC-02 ISO-00 /122 W
----- 089337

P R 190653Z MAY 75

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 95

INFO AMEMBASSY BELGRADE

AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRAZILIA
AMEMBASSY BRUSSELS
AMEMBASSY BUENOS AIRES
AMEMBASSY CAIRO
AMEMBASSY CANBERRA
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY HELSINKI
AMEMBASSY LAGOS
AMEMBASSY LONDON
AMEMBASSY LUXENBOURG
AMEMBASSY MADRID
MAMEMBASSY MEXICO CITY 684
AMEMBASSY NEW DELHI
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY QUITO
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MTN GE 03646 01 OF 03 190848Z

AMEMBASSY ROME

AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON
USUN NEW YORK 1739
USMISSION EC BRUSSELS
USMISSION OECD PARIS

LIMITED OFFICIAL USE SECTION 1 OF 3 USDEL MTN GENEVA 3646

PASS STR

E.O. 11652: NA
TAGS: ETRD GATT
SUBJ: MTN: TARIFFS GROUP MEETING-MAY 13-16

REF: A) MTN GENEVA 2066; B) STATE 110781

1. SUMMARY: MTN TARIFFS GROUP MET MAY 13-15 ON (1) POSSIBLE ELEMENTS OF GENERAL TARIFF NEGOTIATING PLAN, TAKING ACCOUNT INTERESTS OF LDC'S; (2) IMPROVEMENT OF GSP. ELEMENTS OF THE TARIFF NEGOTIATING PLAN DISCUSSED WERE POSSIBLE TARIFF REDUCTION FORMULA, IMPACT OF FORMULA ON LDC'S TRADE, BASE RATES/BASE DATES, AND UNIT OF REFERENCE. SEVERAL DELEGATIONS TABLED SPECIFIC TARIFF REDUCTION FORMULAE FOR CONSIDERATION BY THE GROUP. IN OTHER ASPECTS OF TARIFF NEGOTIATING PLAN, (E.G., BASE/RATE/BASE DATE, UNIT OF ACCOUNT) NO CONSENSUS REACHED; OTHER RELATED PROBLEMS, SUCH AS EXCEPTIONS, STAGING OF CUTS, AND CONSIDERATION OF SPECIAL TREATMENT FOR LDC'S, WILL HAVE TO BE TACKLED LATER IN PROCESS OF DEVELOPING TARIFF PLAN. RESULTS OF MEETING REFLECT SHIFT OF EMPHASIS OF GROUP'S WORK FROM TECHNICAL TO SUBSTANTIVE ISSUES. SIGNIFICANT DISAGREEMENTS EMERGED ON A NUMBER OF ISSUES REFLECTING, INTER ALIA, DIFFERENT INITIAL TARIFF FORMULA POSITIONS AND DIFFERENCES BETWEEN INTERESTS OF DC'S AND LDC'S. GROUP WILL MEET AGAIN JULY 7-8 (AGRICULTURAL GROUP WILL THEREFORE MEET BEGINNING JULY 9). END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MTN GE 03646 01 OF 03 190848Z

2. TARIFF NEGOTIATING FORMULAE PROPOSALS. A NUMBER OF DELEGATIONS TABLED GENERAL FORMULAE PROPOSALS AT MEETING. DELEGATIONS PRESENTED FORMULAE FOR CONSIDERATION BY GROUP WITHOUT COMMITMENT TO ANY FORMULA.
A. EC(DUGIMONT), ARGUING AS IN PAST (SEE REFTEL A) FOR HARMONIZATION FORMULA (THE HIGHER THE TARIFF, THE DEEPER THE CUT) TABLED FORMULA Y EQUALS X (I.E., PERCENTAGE CUT, Y, EQUALS INITIAL AS VALOREM TARIFF RATE, X).

FORMULA COULD ITERATE REDUCTIONS ANY NUMBER TIMES SO THAT 20 PERCENT AD VALOREM TARIFF WOULD BE CUT BY 20 PERCENT TO 16 PERCENT AD VALOREM IN FIRST ROUND, THEN RESULTING 16 PERCENT TARIFF CUT BY 16 TO 13.5 PERCENT AD VALOREM, ETC. A TABLE CIRCULATED TO OTHER DELEGATIONS LISTED 5 ROUNDS OF ILLUSTRATIVE REDUCTIONS WITH NO INDICATION OF WHETHER EC WOULD FAVOR MORE OR LESS THAN THIS NUMBER. ALLOWANCE MADE IN EC FORMULA FOR LEAPFROG EFFECT ON RATES ABOVE 50 PERCENT (E.G., ITEM WITH 60 PERCENT TARIFF REDUCED TO 24 PERCENT WHILE ITEM WITH 50 PERCENT TARIFF REDUCED TO ONLY 25 PERCENT), BY MEANS OF EITHER UNIFORM REDUCTIONS ABOVE 50 PERCENT OR, AS SHOWN IN TABULATION, INDICATING UNIFORM CEILING RATES. NO U.S. TRADE ACT AUTHORITY LIMITS PLACED ON ILLUSTRATIVE REDUCTIONS. AN EXPLICIT FLOOR/THRESHOLD COULD BE SET OR THROUGH ROUNDING UP IMPLICIT THRESHOLD/FLOOR AROUND FIVE PERCENT IS CONTAINED IN FORMULA ITSELF. EC SAID FORMULA IS SIMPLE, FLEXIBLE, ACHIEVES GOAL OF SUBSTANTIAL HARMONIZATION, HELPS MAINTAIN SOME OF GSP MARGINS, AND REDUCES TARIFF ESCALATION. STATED THAT FORMULA SHOULD BE APPLIED BY ALL DEVELOPED COUNTRIES. EC AVOIDED MENTION OF PRODUCT COVERAGE. RULES FOR EXCEPTIONS AND STAGING CUTS TO BE DECIDED WHEN FORMULA FINALLY CHOSEN. IN PRIVATE BILATERAL DISCUSSIONS WITH U.S., DUGIMONT STATED VIEW THAT Y EQUALS X FORMULA NOT UNBALANCED AGAINST U.S. (TEXT OF EC STATEMENT SENT BY AIRGRAM).

B. JAPAN (HOTTA) STATED THAT IT WANTS FORMULA TO BE SIMPLE LEADING TO SUBSTANTIAL REDUCTIONS, AND MINIMIZING EXCEPTIONS. JAPAN STILL CONSIDERING NUMBER OF FORMULAE AND HAS NOT REACHED CONCLUSIONS. HOWEVER, TWO WHICH THEY ARE CONSIDERING AND PROPOSED ARE (1) LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MTN GE 03646 01 OF 03 190848Z

Y EQUALS X ITERATED THREE TIMES (SAME AS EC PROPOSAL BUT WITH SPECIFIC NUMBER OF ITERATIONS), AND (2) TWO VARIATIONS ON Z EQUALS AS PLUS B FORMULA (WHERE Z IS FINAL TARIFF AFTER CUT AND B IS PERCENTAGE POINTS ADDED TO CUT AX) (A) Z EQUALS .4X PLUS 3
(B) Z EQUALS .5X PLUS 2.5

WHICH HAVE BUILT IN FLOOR OF 5 PERCENT IN ORDER TO MAINTAIN GSP MARGINS. IN BILATERAL DISCUSSIONS BEFORE MEETING, JAPANESE (HOTTA, MIZOGUCHI) STATED THAT JAPAN NO LONGER SUPPORTS AS DEEP REDUCTIONS AS PREVIOUSLY CONSIDERED (E.G. DUTY ELIMINATION) BECAUSE OF JAPAN'S DOMESTIC ECONOMIC AND POLITICAL CONDITIONS. THE TWO TARIFF FORMULAE ABOVE REFLECT MORE MODEST AIMS OF JAPANESE. FOR EXAMPLE, 10 PERCENT TARIFF IS CUT BY ONLY 25 PERCENT UNDER FIRST FORMULA, AND BY 30 PERCENT

UNDER SECOND FORMULA. IT WAS UNDERSTOOD FROM ITS INITIAL STATEMENT THAT FORMULA WOULD APPLY ONLY TO INDUSTRIAL PRODUCTS (MIZOGUCHI LATER TOLD DELEGATION PRIVATELY THAT JAPAN DOES NOT EXCLUDE APPLICATION OF FORMULA TO AGRICULTURAL PRODUCTS ON SELECTIVE BASIS.) C. US (MCNAMARA), FOLLOWING INSTRUCTEDS AS REVISED BY REFTEL B TABLED 60 PERCENT LINEAR FORMULA AND TWO COMBINATION LINEAR-HARMONIZATION FORMULAE: (1) 60 PERCENT REDUCTIONS WITH 5 PERCENT FLOOR; AND (2) $Y = 60 - 60/X$. U.S. STATED THAT THESE FORMULAE WERE TABLED FOR DISCUSSION WITHOUT COMMITMENT IN VIEW OF STILL CONTINUING DOMESTIC PRE-NEGOTIATION PROCEDURES BUT THAT THEY RELECT EXAMPLES OF FORMULAE THAT COULD MEET U.S. GOALS OF SUBSTANTIAL REDUCTIONS AND SIMPLICITY. U.S. STATED THAT FORMULA SHOULD APPLY TO ALL PRODUCTS (THIS VIEW LATER REPEATED TO SUPPORT AUSTRALIAN POSITION OF INCLUDING AGRICULTURAL PRODUCTS IN FORMULA RESPONDING TO JAPANESE STATEMENT). POINT MADE THAT ADJUSTMENTS WIL HAVE TO BE MADE TO TAKE INTO ACCOUNT CIF/FOB DIFFERENTIALS FOR U.S., CITING SPECIFIC TSUG EXAMPLES. U.S. ALSO PROPOSED THAT COUNTRIES CONSIDER LISTING OFFERES IN FORM OF CONSOLIDATED SCHEDULESOF NEW TARIFF RATES WITH UNBOUND ITEMS BEING SPECIALLY NOTED. NO COUNTRY SUPPORTED IDEA; EC AND JAPAN OPPOSED AS PREMATURE UNTIL END OF NEGOTIATION, US. INDICATED THAT IT WOULD WANT TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 MTN GE 03646 01 OF 03 190848Z

RETURN TO ITS SUGGESTION AT NEXT MEETING. U.S. PROPOSAL (SUPPORTED BY EC AND VAGUELY BY JAPAN) THAT ALL COUNTRIES IN MTN EXCHANGE WITH EACH OTHER CURRENT COPIES OF THEIR OFFICIAL TARIFF SCHEDULES, PERHAPS THROUGH SECTARIAT, WAS STRONGLY OPPOSED BY AUSTRALIAN IN MISTAKEN BELIEF THAT U.S. PROPOSAL WAS FURTHER EFFORT TO COMPROMISE AUSTRALIAN POSITION ON BASE DATES/BASE RATES. NO DECISION WAS TAKEN, D. CANADA (GREY, DENIS) REPEATED THE OUTLINE OF ITS EARLIER TWO-PART PROPOSAL (REFTEL A): INITIAL REDUCTIONS OF HIGH DUTIES DOWN TO A CEILING OF 20 PERCENT AND ELIMINATION OF LOW DUTIES (LESS THAN 5 PERCENT) AND A 50-60 PERCENT LINEAR OR WEIGHTED REDUCTION OF RATES REMAINING BETWEEN 5 AND 20 PERCENT. DISAPPOINTMENT EXPRESSED OVER FORMULAE WHICH CONTAIN FLOOR, CITING 60 PERCENT OF CANADIAN EXPORTS TO U.S. AND 30 PERCENT CANADIAN EXPORTS TO BOTH

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MTN GE 03646 02 OF 03 190940Z

17

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 NEA-10 IO-10 ISO-00

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06

PRS-01 SP-02 OMB-01 OIC-02 /132 W

----- 089754

P R 190653Z MAY 75

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 96

INFO AMEMBASY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CAIRO

AMEMBASSY CANBERRA

EMBASSY COPENHAGEN 1056

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LAGOS

AMEMBASSY

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY MEXICO CITY

AMEMBASSY NEW DELHI

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MTN GE 03646 02 OF 03 190940Z

AMEMBASSY WELLINGTON
USUN NEW YORK 174
USEC BRUSSELS
OECD PARIS

LIMITED OFFICIAL USE SECTION 2 OF 3 USDEL MTN GENEVA 3646

EC AND JAPAN AT RATES OF 5 PERCENT OR LESS. ALSO CITED
HEAVY DEPENDENCE OF RELATIVELY SMALL CANADIAN
ECONOMY ON EXPORTS. IT WAS ARGUED THAT A FLOOR, THEREFORE,
WOULD NOT BE RECIPROCAL FROM CANADA POINT OF VIEW.
CANADA ALSO NOTED THE IMPORTANCE OF EXCEPTIONS IN AGREEMENT
ON ANY FORMULA, STATING THAT IMPORTANT CONSIDERATION
WILL BE IMPACT OF EXCEPTIONS OF IMPORTANT PRODUCTS BY
ONE OF THE LARGER TRADING COUNTRIES ON TARIFF CUTTING
POSSIBILITIES OF SMALLER COUNTRIES ON THESE PRODUCTS
AND NEED FOR MULTILATERAL SCRUTINY OF EXCEPTIONS.
E. SWISS (EBERHARD) AND NORDICS (COLLIANDER) STATED
PREFERENCE FOR SUBSTANTIAL REDUCTIONS UNDER SIMPLE
HARMONIZATION FORMULA. THEY INDICATED THAT THEY
WOULD STUDY ALL OF PROPOSAL MADE SO FAR. SWISS SUGGESTED
EXAMINATION OF TARIFF CUTTING APPROACH IN WHICH FINAL
RATES ARRIVED AT BY TAKING SQUARE ROOT OF EACH INITIAL
TARIFF MULTIPLIED BY SOME NEGOTIABLE CONSTANT VALUE
PLUS A CONSTANT VALUE B, (A FORMULA SIMILAR TO SECOND
JAPANESE PROPOSAL). EBERHARD AND COLLIANDER IN PRIVATE
DISCUSSIONS INDICATED THAT WHILE THEY FAVOR SUBSTANTIAL
OVERALL REDUCTION OF TARIFFS, THE FOCUS OF
SUBSTANTIAL REDUCTIONS SHOULD BE ON HIGH DUTIES RATHER
THAN ON (THEIR COUNTRIES) LOW-MODERATE RATES. THEY
SUGGESTED THAT MTN TARIFF EXERCISE WOULD THUS SET
STAGE FOR TOTAL ELIMINATION OF DUTIES IN NEXT NEGOTIATING
ROUND. THEY BOTH DENIED THAT THEIR INTEREST IN GENERAL
TARIFF REDUCTIONS IS LESSENED BY THEIR DESIRE TO MAINTAIN
THEIR MARGIN OF PREFERENCE IN EC MARKET WHERE MOST OF
THEIR EXPORTS ARE CONCENTRATED.

F. AUSTRALIA (MOORE-WILTON) SAID COULD NOT AGREE
TO ANY GENERAL FORMULA WHICH DOES NOT APPLY TO AGRICULTURAL
PRODUCTS SINCE RECIPROCITY FOR IT WOULD NOT
EXIST, AND TOOK SIMILAR VIEW AS CANADA ON FLOOR.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MTN GE 03646 02 OF 03 190940Z

3. SPECIAL CONSIDERATION FOR LDC'S:

A. LDC VIEWS--LDC'S GENERALLY REITERATED THEIR
INTEREST, EXPRESSED IN MARCH (REFTEL A AND PARA 9B OF
MTN/TAR/1) IN RECEIVING SPECIAL AND MORE FAVORABLE TREATMENT
UNDER THE TARIFF NEGOTIATION PLAN AND IN MAINTAINING
AND IMPROVING GSP. SPOKESMEN WERE EGYPT, ECUADOR, MEXICO,

BRAZIL, NIGERIA, MALAYSIA, ARGENTINA AND INDIA. EGYPT, SUPPORTED BY SEVERAL OTHER LDC'S, SUGGESTED DIFFERENTIATED TREATMENT COULD BE ACCORDED LDC'S UNDER TARIFF FORMULA PROPOSALS BY ADDING FACTOR (L) TO EACH PROPOSAL WHICH WOULD APPLY GREATER THAN FORMULA CUTS ON LDC EXPORTS. FOR EXAMPLE, THIRD U.S. PROPOSAL WOULD BE $Y = 60 - 60/X + L$ OFR LDC EXPORTS. BRAZIL STATED INTEREST IN DEEP MFN CUTS BY DC'S (WITH FLOOR INCLUDED) EVEN ON GSP PRODUCTS SINCE GSP SCHEMES HAVE MANY LIMITATIONS; ALSO STATED BRAZIL WOULD BE WILLING TO MAKE TARIFF CONCESSIONS IN ACCORD WITH TOKYO DECLARATION AND CALLED FOR DEVELOPMENT OF SPECIAL PROCEDURES FOR MFN CONCESSIONS BY LDC'S. FAMILIAR GSP DEMANDS WERE STATED BY LDC'S REINCREASING PRODUCT COVERAGE, ELIMINATING ALL TARIFFS ON GSP ITEMS, MAKING GSP MORE SECURE, MAINTAINING GSP MARGINS, ETC. NEW ELEMENT ADDED WAS ANDEAN PROPOSAL THAT BENEFITS OF LOME CONVENTION BE EXTENDED TO ALL LDC'S. SPEAKING FOR ANDEANS, ECUADOR STATED THAT GSP SHOULD NOT BE USED FOR QUOTE ECONOMIC COERCION UNQUOTE OF LDC'S; ECUADOR ATTEMPTED TO GET THIS STATEMENT IN CHAIRMAN'S SUMMING-UP OF MEETING, BUT PATTERSON EMPHATICALLY RULED SUCH LANGUAGE OUT OF ORDER AND CONTRARY TO TRADITIONS OF GATT. ECUADOR ALSO REQUESTED THAT CHAIRMAN'S SUMMING-UP CONTAIN CONCLUSION THAT COUNTRIES ADVANCING TARIFF FORMULAS HAD NOTED THAT SPECIAL AND DIFFERENTIAL TREATMENT FOR LDCS WAS BOTH FEASIBLE AND APPROPRIATE. US DELO NOTED THAT IT WAS NOT AUTHORIZED TO MAKE ANY COMMITMENTS, THAT WE HAD INDICATED ONLY THAT US STUDYING VARIOUS POSSIBILITIES, AND SUGGESTED LANGUAGE OF TOKYO DECLARATION IN THIS REGARD. EC AND JAPAN CLARIFIED THEIR POSITIONS IN A SIMILAR MANNER. ANDEAN PROPOSAL WAS WITHDRAWN, RATHER THAN ACCEPT "RESTATEMENT OF TOKYO DECLARATION" WHICH WOULD NOT RESULT IN ANY PROGRESS DEFINING THIS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MTN GE 03646 02 OF 03 190940Z

POINT".

B. DC VIEWS--US STATED NEED TO SEEK METHODS OF IMPROVING ACCESS FOR LDC'S BY EXPANDING TRADE RATHER THAN MINIMIZING LIBERALIZATION, NOTING THAT USG HAD ESTABLISHED TASK FORCE IN WASHINGTON TO CONSIDER WAYS OF DOING THIS. DRAWING ON BACKGROUND PAPER, US SAID IT STUDYING A NUMBER OF POSSIBILITIES, INCLUDING DEEPER THAN FORMULA CUTS ON NON-GSP ITEMS, HOW RULES ON EXCEPTIONS AND STAGING COULD TAKE INTO ACCOUNT EFFECTS ON GSP OF GENERAL TARIFF FORMULA, AND IDENTIFICATION OF PRODUCTS PRINCIPALLY SUPPLIED BY LDC'S. US SAID IT TOO EARLY TO COMMENT ON POSSIBILITIES OF IMPROVING US GSP SYSTEM SINCE WE JUST IN EARLY PART OF IMPLEMENTATION STAGE, BUT

NOTED US ADMINISTRATION SUPPORTED GREEN AMENDMENT TO TITLE V OF TRADE ACT AS STEP FORWARD. AFTER PRODDING OF REMAINING SILENT LD'S BY CHAIRMAN, EC STATED THAT IT HAS ALREADY MET MANY OF LDC REQUESTS BY CONTINUING TO IMPROVE ITS DSP, WHICH IT CLAIMS NOW AMOUNTS TO 2 BILLION UNITS OF ACCOUNT (ABOUT \$2.6 BILLION) IN ANNUAL TRADE. EC PREPARED TO EXPAND PRODUCT COVERAGE, LIBERALIZE QUOTA RESTRICTIONS, REDUCE GSP RATES TO ZERO IN LINE WITH IMPROVEMENTS BY OTHER DONOR COUNTRIES. EC ALSO STATED THAT ITS FORMULA PROPOSAL WOULD MAINTAIN PREFERENTIAL MARGINS AND REDUCE TARIFF ESCALATION IN DC'S. EC FURTHER NOTED THAT BARIOUS POSSIBLE ADAPTATIONS TO TARIFF PLAN WERE BEING CONSIDERED INCLUDING EXCLUSION FROM TARIFF REDUCTION OF PRODUCTS OF LDC EXPORT INTEREST CURRENTLY OBTAINING GSP BENEFITS, REQUIRING LESSER REDUCTIONS THESE PRODUCTS OR DECELERATED STAGING TO RETAIN PREFERENCE MARGINS FOR LONGER PERIOD. JAPAN ALSO STATED ITS IMPROVEMENT OF GSP, ANNUAL GSP TRADE OF \$1.3 BILLION, AND THAT ITS FORMULA PROPOSALS MEET SOME OF LDC NEEDS (IN PRESERVING GSP MARGINS).

4. SECRETARIAT ANALYSES: INDIA, EGYPT, BRAZIL
PROPOSED SECRETARIAT ANALYSIS OF EFFECTS OF TABLED FORMULAE (INCLUDING EGYPTY'S MODIFICATIONS) ON LDC TRADE. AUSTRALIA TOOK LEAD IN OPPOSING BECAUSE OF LACK OF DECISION ON BASE RATE/BASE DATE ISSUE AND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 MTN GE 03646 02 OF 03 190940Z

RELEVANCE OF PENDING WORK OF QR GROUP. US AND EC ALSO OPPOSED BECAUSE SUCH STUDIES PREMATURE UNTIL FORMULA CHOICES NARROWED SOMEWHAT, TARIFF RATE FILE AVAILABLE AND PARAMETERS (E.G. COUNTRY COVERAGE, PRODUCT COVERAGE) BETTER DEFINED. (IN BILATERAL DISCUSSIONS EC STATED ITS OPPOSITION TO ANY GENERAL ANALYSIS, THOUGH COULD AGREE TO COUNTRY BY COUNTRY ANALYSIS BY SECRETARIAT FOR INDIVIDUAL LDC'S. GIVEN CIRCUMSTANCES, U.S AND EC AGREED TAKE TIS APPROACH IN MEETING). LDC'S AGREED TO PUT OFF PROPOSAL UNTIL

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 MTN GE 03646 03 OF 03 190938Z

15

ACTION EB-07

INFO OCT-01 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

FRB-03 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00

USIA-06 PRS-01 SP-02 OMB-01 AF-06 ARA-06 EA-06 EUR-12

NEA-10 OIC-02 ISO-00 IO-10 /132 W

----- 089717

P R 190653Z MAY 75

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 97

INFO AMEMBASY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASY BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CAIRO

AMEMBASSY CANBERRA

EMBASSY COPENHAGEN 1057

AMEMBASSY DUBLIN

AMEMBASY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LAGOS

AMEMBASSY

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY MEXICO CITY

-AMEMBASSY NEW DELHI 1459

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MTN GE 03646 03 OF 03 190938Z

AMEMBASSY WELLINGTON

USUN NEW YORK 1741

USEC BRUSSELS

OECD PARIS

LIMITED OFFICIAL USE SECTION 3 OF 3 USDEL MTN GENEVA 3646

JULY MEETING, BUT STRESSED LDC DESIRE TO HAVE
FORMULAE IMPACT ON LDC TRADE EVALUATED BEFORE REPEAT
BEFORE AGREEMENT ON FORMULA CAN BE REACHED. (U.S.
DELEGATION LEARNED THAT UNCTAD WILL EXAMINE TARIFF
PROPOSALS FOR PRODUCTS OF INTEREST TO LDC'S AND
ISSUE OF TARIFF ESCALATION. WE WILL DISCUSS WITH
UNCTAD OFFICIALS).

5. BASE RATE/BASE DATE. US. AND EC AGREED BEFORE
MEETING TO TOLD TO PREVIOUS POSITIONS THAT TARIFF
CUTS ON UNBOUND ITEMS SHOULD BE APPLIED TO EFFECTIVELY
APPLIED RATES, NOT (USUALLY HIGHER) LEGAL RATES.
ONE OTHER COUNTRY (YUGOSLAVIA) SUPPORTED. JAPAN,
CANADA, AND AUSTRALIA CONTINUED TO MAINTAIN POSITION
THAT LEGAL RATES SHOULD BE USED. (AT MARCH MEETING
GROUP AGREED ON USE OF GATT RATES FOR BOUND ITEMS).
IN SUBSEQUENT PRIVATE DISCUSSIONS US AND EC REPS
AGREED THAT COMPROMISE WILL BE NECESSARY BUT ONLY AT
LATER DATE. ONLY COMPROMISE PROPOSED SO FAR IS SWISS
PROPOSAL TO USE KENNEDY ROUND PROCEDURE OF HAVING
EACH PARTICIPANT NOTIFY RATES TO BE USED AS BASES WITH
POSSIBLE CHALLENGE BY OTHER COUNTRIES. WITH NO AGREEMENT,
ISSUE CARRIED OVER TO NEXT MEETING. ISSUE LATER DISCUSSED
IN DETAIL IN SMALL MEETING AT SECRETARIAT CALLED
BY PATTERSON, DELEGATIONS WERE LESS SHRILL BUT NO MORE
FLEXIBILITY ON ISSUE WAS APPARENT. IT IS CLEAR THAT
MORE CREATIVE THINKING ON THIS ISSUE IS NEEDED BY
GROUP. JAPAN PRIVATELY INDICATED TO US THAT US
HAS TRADE INTEREST IN ONLY ABOUT 60 UNBOUND JAPANESE
ITEMS AND PROMISED PROVIDE INFO ON HIS QUESTION.

6. UNIT OF REFERENCE. BASIS OF DISCUSSION WAS EC
PAPER (MTN/TAR/W/2) WHICH WAS RECEIVED
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MTN GE 03646 03 OF 03 190938Z

BY DELS ONLY FEW DAYS BEFORE MEETING. EC IN PAPER
ARGUED FOR CHANGE IN MEASURING TRADE FLOWS FROM
CURRENT DOLS TO UNIT OF REFERENCE EQUAL TO 1971
SDR USING CONVERSION METHOD OF CENTRAL RATES FOR EC
SNAKE CURRENCIES AND MARKET RATES FOR OTHER
CURRENCIES IN RELATION TO SNAKE CURRENCIES. US
OPPOSED PROPOSAL, ARGUING EC PROPOSED UNIT OF REFERENCE
AND CONVERSION METHODS PRODUCES NO MORE STABILITY
IN DATA THAN CURRENT PRACTICE OF USING US DOLLAR
AND THAT IT WOULD NOT BE AS USEFUL IN EVALUATING REAL
TRADE FLOWS AS DECISION OF GROUP 3 A TO INCLUDE
QUANTITY DATA IN GATT TARIFF STUDY FILES. JAPAN AND

AUSTRIA SUGGESTED NEW UNIT OF REFERENCE NOT NECESSARY.
OTHER DELS WRE SILENT ON ISSUE, HAVING RECEIVED
EC PAPERON HIGHLY TECHNICAL QUESTION VERY LATE. THIS
ISSIE HELD OVER TO NEXT MEETING. US DEL IS
PREPARING PAPER ON ISSUE FOR POSSIBLE INFORMAL
CIRCULATION TO OTHER DELEGATIONS. TEXT WILL BE
SENT TO WASHINGTON FOR COMMENT BEFORE IT IS CIRCULATED.

7. TEXT OF CHAIRMAN'S NOTE RECORDING DECISIONS AND
CONCLUSIONS TRANSMITTED SEPTTEL.

8. COMMENT: JAPAN IS CLEARLY MOVING CLOSER TO EC AND NORDIC
VIEWS ON TARIFF HARMONIZATION AND RELATED ELEMENTS
SUCH AS FLOR AND MODEST LIBERALIZATION AIMS. FACT
THAT US PROPOSED, EVEN WITHOUT COMMITMENT, FORMULAE
WHICH AIM AT SIGNIFICANT LIBEALIZATION WAS HELPFUL
IN KEEPING GROUP'S OPTIONS OPEN. AUSTRALIA APPEARS
TO BE SLIPPING AWAY FROM GENEAL FORMULA FASTER THAN
US DEL EXPECTED: CANADA IS SOME DISTANCE BEHIND
BUTMOVING IN SAME DIRECTION.LDC'S WERE VERY IMPATIENT WITH
VAUG EASSURANCES BY DC'S BUT NO CONTENT:
THIS IS CERTAIN TO BE A MAJOR ISSUE IN JULY MEETING.
THERE WAS SURPRISINGLY LITTLE DISCUSSION OF FORMULA
PROPOSED, OTHER THAN OCCASIONAL SKIRMISHES. WE
SHOULD BE PREPARED TO DISCUSS FORMULAE IN DETAIL IN
JULY. END COMMENT. MANAMARA

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TARIFF BARRIERS, NEGOTIATIONS, COUNTERVAILING DUTIES, GENERALIZED PREFERENCES (TARIFFS)
Control Number: n/a
Copy: SINGLE
Draft Date: 19 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MTNGE03646
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750175-0349
From: MTN GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750539/aaaabjz.tel
Line Count: 573
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 MTN GENEVA 2066, 75 STATE 110781
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2003 by Izenbel0>; APPROVED <26 SEP 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MTN: TARIFFS GROUP MEETING-MAY 13-16
TAGS: ETRD, GATT, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006